BRIEFING

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ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT

ECONOMIC GOVERNANCE

Structured Dialogue on Competition Policy

Executive Vice-President Ribera, charged with the Competition portfolio, has been invited to a structured dialogue in ECON on 4 December 2025. This briefing outlines key principles of competition policy, and elaborates on the available State aid data, to illustrate its size (exceeding the EU budget) and use.

1. Mission letter

European Commission President von der Leyen tasked Executive Vice-President Ribera with the Competition portfolio, detailing in the mission letter that she shall – under the President's guidance – modernise the EU's competition policy, in particular

- develop a new State aid framework to accelerate the roll-out of renewable energy and to support industrial decarbonisation;
- simplify State aid procedures, prioritising work on the most distortive aids;
- simplify and expedite the State aid review for Important Projects of Common European Interest (IPCEIs);
- revise State aid rules to enable housing support measures;
- strengthen the enforcement of competition rules, while accelerating the authorisation of compatible aids and transactions in strategic fields;
- review the Horizontal Merger Control Guidelines, to cater for certain strategic sectors and the changed defence and security environment;
- support the implementation of the future European Competitiveness Fund;
- focus on the particular challenges facing SMEs and small midcaps;
- enforce the Foreign Subsidies Regulation and seek global cooperation among competition authorities;
- and take effective enforcement actions under the Digital Markets Act.

Since the mission letter puts a **strong focus** on the **State aid framework**, aiming to facilitate and speed up the approval process, we elaborate on the available State aid data, to illustrate its current size and use.

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2. The fundamentals of State aid

The **legal notion** of 'State aid' refers to any kind of support measure that

- comes from **State resources**,
- gives the recipient that pursues an economic activity an **advantage on a selective basis** (for example, when it is given to specific companies or industry sectors, or companies in specific regions),
- is administered in any conceivable form (for example in form of grants, tax reliefs, preferential interest rates, guarantees, equity stakes, goods or services provided on preferential terms etc.),
- distorts competition, and
- affects trade between Member States.

General measures open to all companies, like general tax systems or common employment legislation, are not selective and hence do not qualify as State aid, nor does any aid given to individuals for social purposes (e.g., social housing, welfare). Small amounts of aid ('**de minimis'**, i.e. EUR 300.000 per company over three years) and small amounts of aid for Services of General Economic interest, such as public transport, have **no impact** on competition and trade in the Single Market and hence do not qualify as State aid either. For more detailed explanations, see the Commission Notice on the **notion of State aid**, and its website on legislation.

The Treaty on the Functioning of the European Union sets out that **State aid is in principle incompatible with the internal market** (TFEU Article 107(1)). The fundamental logic is that competition on the internal market shall not be distorted by national subsidies. For that reason the Treaty generally prohibits State aid unless, so the Commission's interpretation (e.g. here), its positive effects outweigh the negative impact of the distorted competition.

Balancing those aspects results in **exceptions**. Some aid is seen to be generally compatible with the internal market (TFEU Article 107(2)), while other aid may be declared compatible (TFEU Article 107(3)).

Aid that is **generally compatible** with the internal market

- has a social character or is granted to individual consumers;
- or makes good the damage caused by natural disasters;
- or, as a special case, is related to the reunification of Germany.

Aid that may be considered compatible with the internal market gives the European Commission a key role for checking compliance with the Treaty, secondary law, and related guidelines (here). Such aid has to

- promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment;
- remedy a serious disturbance in the economy of a Member State or promote the execution of an IPCEI;
- facilitate the development of certain economic activities or of certain economic areas;
- promote culture and heritage conservation;
- or fall into any category of aid specified by Council decision on a proposal from the Commission.

Specific categories that, under certain conditions, are considered compatible with the internal market are for example aid in favour of SMEs, aid for research and development, training aid, aid for environmental protection, or aid for broadband infrastructures (Commission Regulation (EU) No 651/2014).

Procedurally, Member States must **notify** all State aid to the Commission and receive approval before implementing it. Certain categories of compatible State aid, however, are exempted from that obligation and benefit from a **General Block Exemption**, meaning that Member States can grant the aid directly and informing the Commission **only ex-post**. By now, more than 90% of all State aid measures are implemented without the need for prior approval.

3. Data on State aid

3.1. Size and distribution

The Commission has to annually publish a synopsis ("State aid Scoreboard" or "**Scoreboard**") of the information contained in the annual reports on existing aid schemes provided by Member States (Article 6 of Regulation (EC) 794/2004). The Scoreboard, first launched in July 2001, is considered a **benchmarking instrument** that shall provide a transparent and publicly accessible source of information on the overall State aid situation in the Member States and on the Commission's State aid control activities. The most recent **note on the State aid Scoreboard** (for 2024) was published in April 2025, analysing Member States' expenditure in 2023.

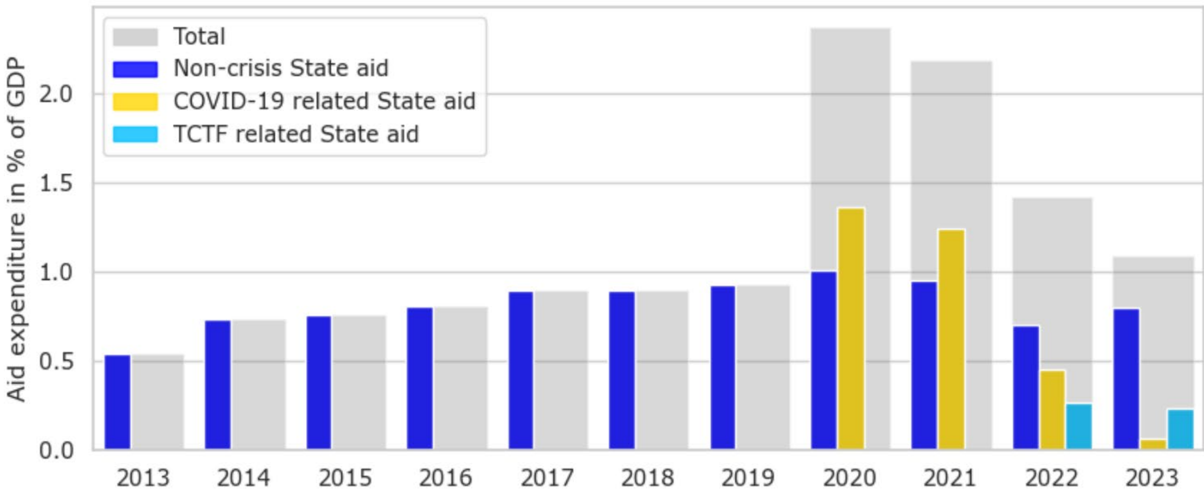
The first point in the Executive Summary of that note reads as follows:

"***In 2023, Member States have overall continued to reduce their spending***... *- EU27 Member States spent EUR 186.78 billion, corresponding to 1.09% of their 2023 GDP, on State aid overall. This corresponds to a reduction by -23%, from EUR 243.27 billion of expenditure in 2022.*"

Putting things into perspective, we find that the overall amount spent to give specific companies or industry sectors an economic advantage on a selective basis is remarkably large, considering that State aid is in principle incompatible with the internal market. In 2023, the **amount of State aid – 1.09% of GDP – exceeds the whole EU budget** for the same year, and that amount does not even count in funding granted under the de-minimis rules or aid for Services of General Economic interest.

Moreover, the total amount of State aid, relative to GDP, **followed an increasing trend** over the past decade. Crises effects of course matter in this context (see figure 1). In 2020, State aid understandably saw a sharp spike, as the COVID-19 crisis required unprecedented levels of support (governed by a specific Covid-19 State aid framework). In 2022, the Russian invasion of Ukraine and its economic effects on European companies required additional support measures (governed by the Temporary Crisis and Transition Framework, or TCTF). The crisis measures since passed their peak and are slowly being phased out, but the total amount of State aid was in 2023 still higher than before the first crisis.

Figure 1: Evolution of total State aid expenditure from 2013 to 2023 in the EU27, as % of EU27 GDP

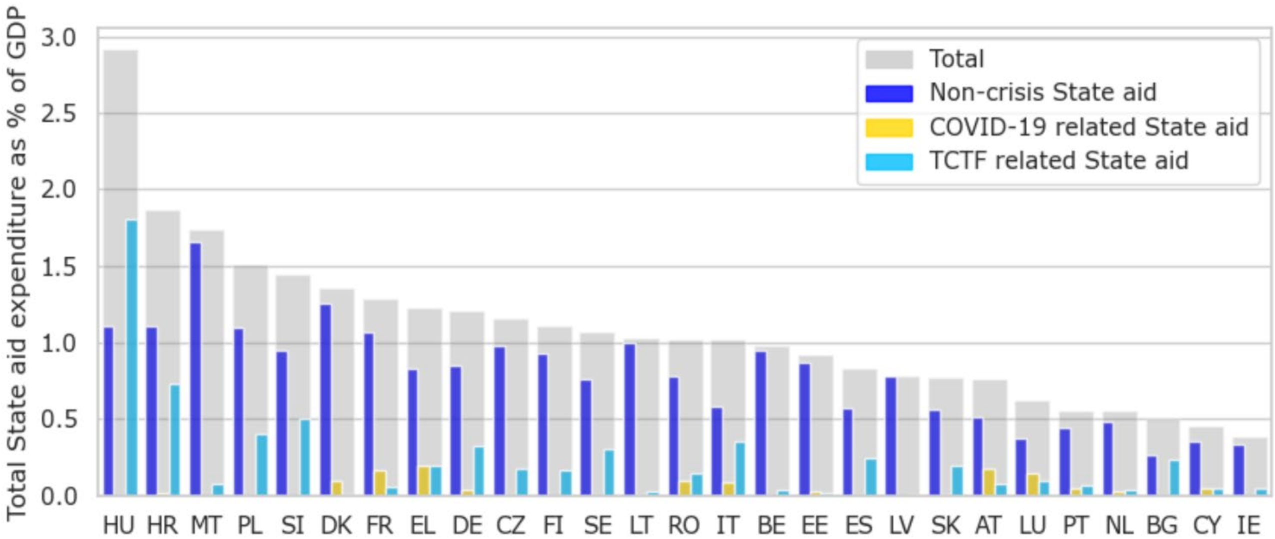


Source: Commission, State aid Scoreboard 2024

Focussing on the average State aid spending, however, is somewhat misleading, as there is a **significant spending dispersion across Member States.** Figure 2 shows the breakdown of expenditure as a share of national GDP into expenditure for non-crisis State aid measures, COVID-19 related measures, and TCTF related measures.

Spending dispersion among Member States ranges between 2.9% of national GDP in Hungary and 0.4 % in Ireland. The biggest spender on State aid spends roughly a full percentage point of GDP more than the second biggest. The two countries, Hungary and Croatia, that stood out in terms of total State aid spending also spent most on aid to counterbalance the negative effects of the Russian invasion of Ukraine. We would argue that differences among Member States are particularly important given that State aid, even if found compatible with the internal market, should **not unduly distort the level-playing field**.

Figure 2: Breakdown of total State aid expenditure by Member State, as % of 2023 national GDP



Source: Commission, [State aid Scoreboard 2024]

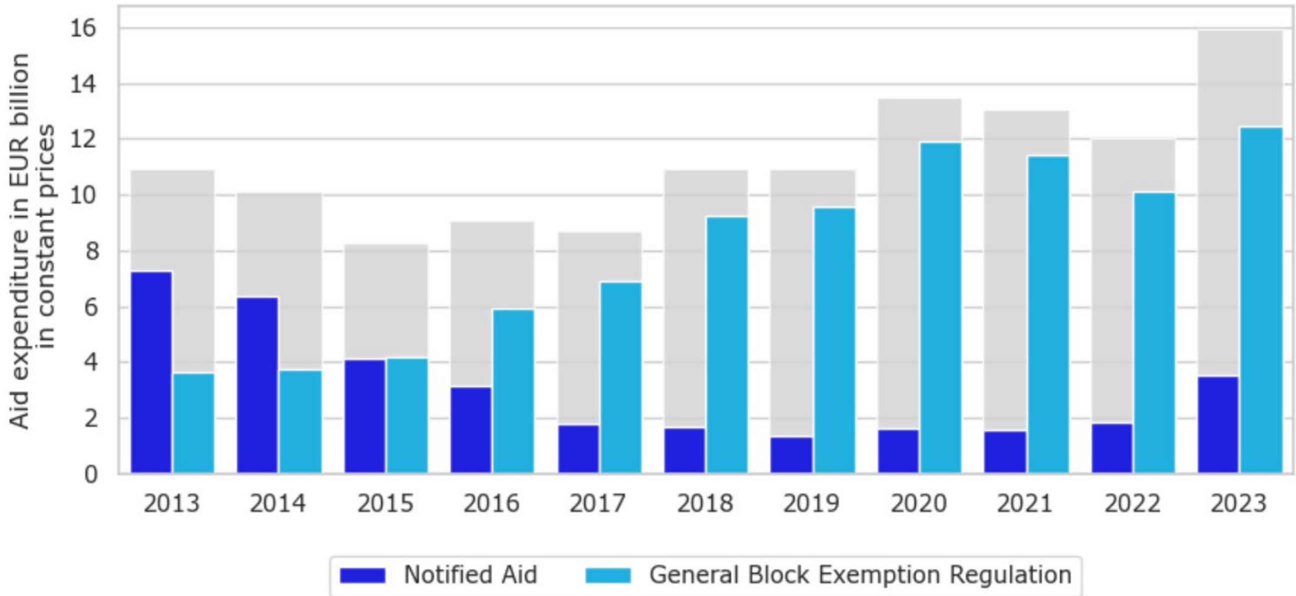
3.2 Information about the effectiveness of aid

The **informational value** of the annual synopsis published by the Commission, such as the recent note on the State aid Scoreboard 2024, lies mainly in its **detailed breakdown of State aid expenditure**, and the various aggregations by instrument, policy objective, industry sector, Member State etc. However, the State aid Scoreboard only shows what has been spent but not what has been achieved thereby, and hence gives **no answer to the question of effectiveness** or rationality.

To illustrate that lack of information about achievements, we look into the information that is made available on State aid **for research, development, and innovation (R&D&I, or RDI)**. The corresponding R&D&I Framework (Communication from the Commission) sets out a clear objective, stating that it aims to increase the efficiency, excellence and impact of Europe's research system and to support innovation. At the same time, the Treaty also restricts such RDI State aid to not unduly impact on competition.[1]

The Scoreboard 2024 provides some graphs on RDI: First, there is a display of how much has been spent in total in the EU27 Member States on RDI aid over a longer time period (2013–2023, see figure 3), which shows that the total amount saw a meaningful increase over time, and that the share of block-exempted measures has considerably increased since 2013 (following the revision of the underlying rules, as described in the Commission's press release); since 2016, it exceeds notified aid by far.

Figure 3: Total RDI aid 2013–2023 (EU27, EUR billion, constant prices, notified versus Block Exemption)

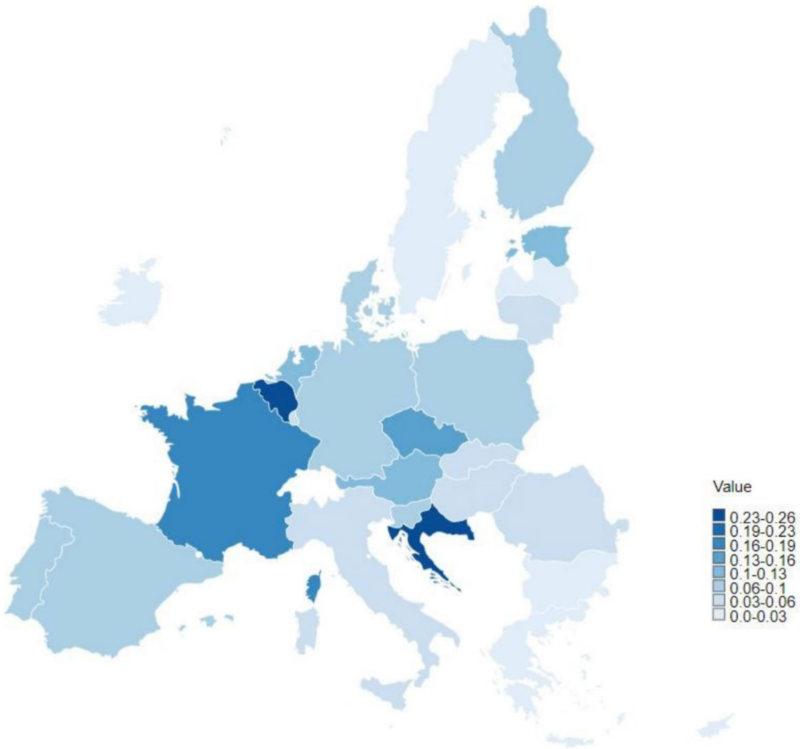


Source: Commission, State aid Scoreboard 2024

Secondly, a map and a bar chart give more detail about the RDI-related expenditure in 2023: some Member States spent considerably more on RDI – as percentage of national GDP – than others. That share was for example exceeding 0.2% of GDP in Belgium and Croatia, those two relatively spending the most in 2023, but was as low as 0.01% of GDP or less in Malta and Bulgaria (see figure 4).

[1] Pursuant to Article 107(3)(c) of the Treaty aid to facilitate the development of certain economic activities or of certain economic areas can be declared compatible, but only 'where such aid does not adversely affect trading conditions to an extent contrary to the common interest.'

Figure 4: RDI State aid expenditure by Member State, as % of national GDP, in 2023



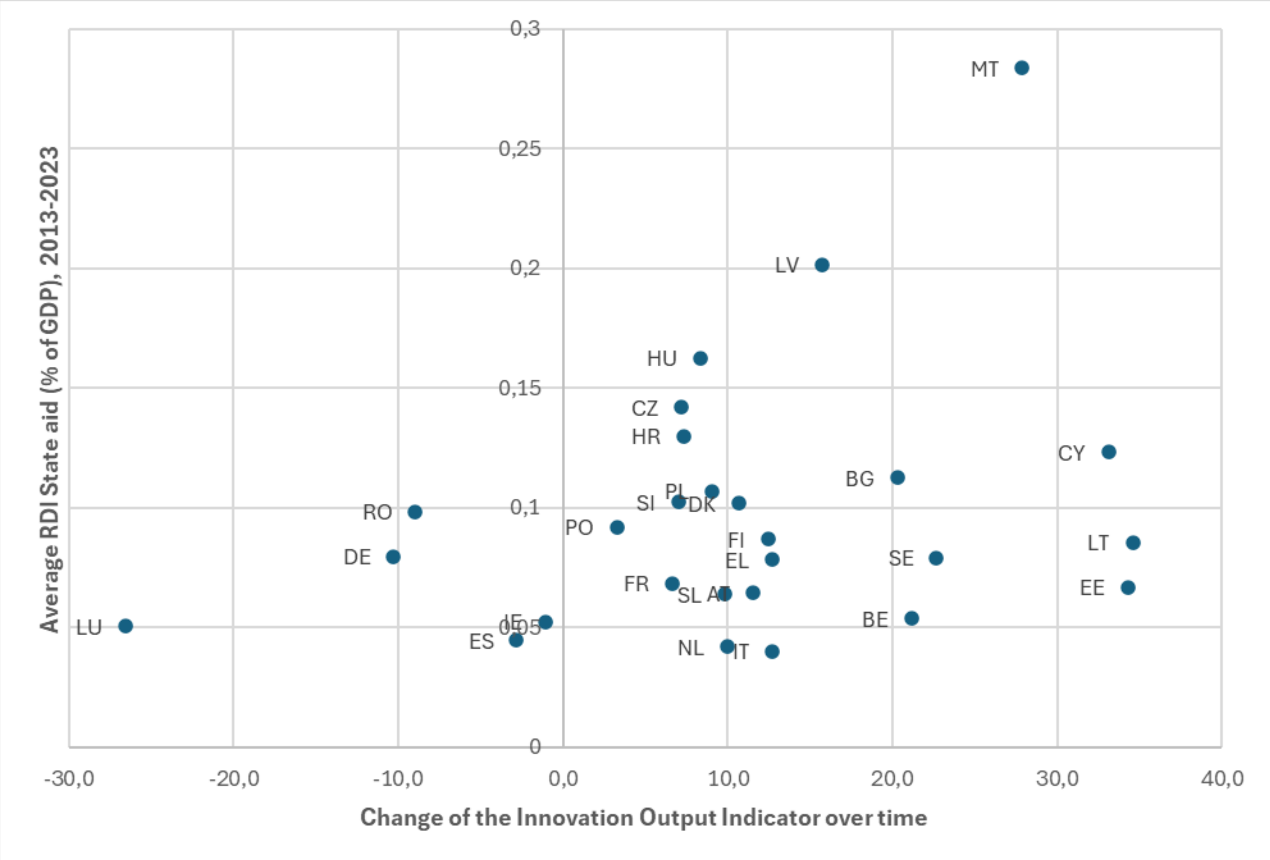
Source: Commission, State aid Scoreboard 2024

The **overarching question** should of course be whether the **policy objectives** are achieved, while distortions of competition remain proportionate. Have different levels of RDI-related State aid over time resulted in notable differences regarding the innovative power of the national research systems? The Scoreboard does not provide any information in that respect. Also, it does not report on the Commission's efforts to assess – and limit – the distortive effect of the R&D&I aid in question on competition and trading conditions.

Interestingly, the Commission's science and knowledge service, the Joint Research Centre (JRC), which provides evidence-based scientific support to European policymaking, regularly publishes information about the development of a metric of innovation performance at the country and EU levels; that composite indicator is called the Innovation Output Indicator; information thereon is published since 2013 (for more details, please see "*Tracking country innovation performance* – *The Innovation Output Indicator 2023*").

Using the information on the development of the Innovation Output Indicator provided by the JRC, we have calculated whether there is a correlation between the amounts that Members States spent on RDI State aid (relative to the country's GDP) in recent years, and the change in the Innovation Output Indicator from 2012 until 2022; that indicator improved in most countries, but in a few, it declined. We have calculated that **there is a low positive correlation** (0.3) between those two variables (see scatterplot in figure 5; that correlation is influenced by two outliers, Malta and Latvia, and would be considerably lower if those two were excluded). Broadly speaking, that correlation (if valid) suggests that State aid support for RDI in general helped Member States to improve their innovation power a little bit, while it also suggests that the **effectiveness of the RDI support measures could be improved** (the scatter plot shows, for example, that Malta's Innovation Output indicator improved a lot while it also spent a lot on RDI State aid; the same indicator for Cyprus, Estonia and Lithuania improved even more, with comparatively little RDI State aid). Our analysis on this matter is just an approximation, the approach and its conclusions can unquestionably be improved. However, the State aid Scoreboard does not yet provide any information on the effectiveness of aid measures, even though other services in the Commission do have related information at hand, so there is considerable room for improvement of the State aid Scoreboard.

Figure 5: Change of the Innovation Output Indicator (2012-2022) versus RDI State aid (% of GDP)



Source: EGOV, own calculation

3.3 Timeliness and accuracy of the data

We finally turn to the aspect of timeliness and accuracy of the data in the Scoreboard and in the related series of publications, the "Notes on the Scoreboard". Their name is somewhat misleading, as it neither accurately reflects the period of reference nor the date of publication: for example, the "*2024 Note on the state aid scoreboard*" was published in April 2025, with data for the year 2023.

More importantly, one may wonder whether the **data could be provided timelier**. The data in the Scoreboard is based on the **annual reporting by Member States**. The underlying Commission Regulation (EC) 794/2004 sets out in Article 6(1) that Member States have to transmit their annual reports in electronic form **no later than 30 June** of the following year (the Regulation allows to submit estimates in justified cases, provided that actual figures are available by the end of the year at the latest). The Commission stresses that "***The accuracy of the data remains the responsibility of Member States***" (cp. note on the State aid Scoreboard for 2024, p. 12). However, the combination of both aspects raises questions. If the Scoreboard only displays information that Member States have already made available by mid-year, it takes the Commission arguably way too long (another 10 months) to just consolidate the data. If, however, the

Commission checks the plausibility of the data, a 10 months processing period seems more justified, but in that case, it would not seem adequate to completely shirk responsibility for the accuracy of the data. If the Commission only starts the consolidation process by the end of the year, after the occasional estimates have been replaced with actual data, the higher degree of accuracy might not justify the loss in timeliness. In view of these considerations, the Structured Dialogue might be a good opportunity to gain a better understanding of the Commission's time requirement to collect and process the data provided by Member States, and of its chances to check their accuracy.

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